

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|-------------------------|---|-----------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | Local Unit Name Barry County Road Commission | County Barry |
| Fiscal Year End 12-31-07 | Opinion Date 2-14-08 | Date Audit Report Submitted to State 5-20-08 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|--|-------------------------------------|--|------------------------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input type="checkbox"/> | N/A | |
| Other (Describe) | <input type="checkbox"/> | N/A | |
| Certified Public Accountant (Firm Name) Walker, Fluke & Sheldon, PLC | | Telephone Number 269-945-9452 | |
| Street Address 525 W Apple St | | City Hastings | State MI |
| Zip 49058 | | | |
| Authorizing CPA Signature  | | Printed Name Katherine K Sheldon | License Number 1101023575 |

BARRY COUNTY ROAD COMMISSION
FINANCIAL STATEMENTS
For the year ended December 31, 2007

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WALKER, FLUKE & SHELDON, PLC
CERTIFIED PUBLIC ACCOUNTANTS

525 W. Apple Street
Hastings, MI 49058
Phone (269) 945-9452
Fax (269) 945-4890

Christopher J. Fluke, C.P.A.
Katherine K. Sheldon, C.P.A.

1971 S. State Road
Ionia, MI 48846
Phone (616) 522-0792
Fax (616) 522-0873

INDEPENDENT AUDITORS' REPORT

To the Board of County Road Commissioners
Barry County Road Commission
Hastings, Michigan

We have audited the accompanying financial statements of Barry County Road Commission, a component unit of Barry County, as of and for the year ended December 31, 2007, which collectively comprise the Road Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Barry County Road Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Barry County Road Commission as of December 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Barry County Road Commission's basic financial statements. The additional supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Barry County Road Commission. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Hastings, Michigan
February 14, 2008

Walker, Fluke & Sheldon, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Barry County Road Commission's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Road Commission's financial activity, (c) identify changes in the Road Commission's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the approved budget and (e) identify any issues or concerns.

Reporting the Road Commission as a Whole

Government-Wide Statements

The statement of net assets and the statement of activities report information about the Road Commission as a whole and about its activities in a way that helps answer the question of whether the Road Commission is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above, report the Road Commission's net assets and changes in them. The reader can think of the Road Commission's net assets (the difference between assets and liabilities) as one way to measure the Road Commission's financial health or financial position. Over time, increases or decreases in the Road Commission's net assets are one indicator of whether its financial health is improving or deteriorating.

Fund Financial Statements

Our analysis of the Road Commission's major funds begins on page 7. The fund financial statements begin on page 9 and provide detailed information about the major funds. The Road Commission currently has only one fund, the general operations fund, in which all of the Road Commission's activities are accounted. The general operations fund is a governmental fund type.

Governmental funds focus on how money flows into and out of the fund and the balances left at year-end that are available for spending. This fund is reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Road Commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and the governmental fund in a reconciliation following the fund financial statements.

Financial Analysis of the Road Commission as a Whole

The Road Commission's net assets increased approximately 0.46% from \$27,737,149 to \$27,863,442 and approximately 4% from \$26,752,143 to \$27,737,149 for the years ended December 31, 2007 and 2006, respectively. While the change in net assets continues to be positive for the Road Commission, the reader should know that many sacrifices are made to make this happen. For example, as work schedules are reduced to keep in line with the current revenue stream, expenditures into our infrastructure decrease. Infrastructure depreciation has been decreasing in spite of increasing cost of construction. This reflects a lack of investment into our infrastructure over the past two decades. Infrastructure has a life span and without continued investment, roads and bridges (the economic backbone of America) will fall apart. In summary, when one looks at only the numbers, many areas of this audit paint a misleading and rosy picture. There are many budgetary decisions (cuts) that are being made around the State of Michigan including at the Barry County Road Commission, which society will pay for dearly in the future. The net assets and change in net assets are summarized below and on the following page.

Net assets for the years ended December 31, 2007 and 2006 are as follows:

| | <u>2007</u> | <u>2006</u> |
|---|-------------------|-------------------|
| Current and Other Assets | \$ 4,063,599 | \$ 4,033,435 |
| Capital Assets(Net of Accumulated Depreciation) | <u>24,177,648</u> | <u>24,087,973</u> |
| Total Assets | <u>28,241,247</u> | <u>28,121,408</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Analysis of the Road Commission as a Whole (Continued)

Net assets for the years ended December 31, 2007 and 2006 (Continued)

| | <u>2007</u> | <u>2006</u> |
|---|----------------------|----------------------|
| Other Liabilities | <u>377,805</u> | <u>384,259</u> |
| Net Assets | | |
| Invested in Capital Assets(Net of Related Debt) | 24,177,648 | 24,087,973 |
| Restricted | <u>3,685,794</u> | <u>3,649,176</u> |
| Total Net Assets | <u>\$ 27,863,442</u> | <u>\$ 27,737,149</u> |

A summary of changes in the net assets for the years ended December 31, 2007 and 2006 are as follows:

| | <u>2007</u> | <u>2006</u> |
|------------------------------------|-------------------|-------------------|
| Program Revenues | | |
| License and Permits | \$ 22,555 | \$ 21,330 |
| Federal Aid | 249,831 | 15,609 |
| State Aid | 4,752,096 | 4,772,027 |
| Contributions from Local Units | 1,668,587 | 1,382,102 |
| Investment Earnings | 109,650 | 80,218 |
| Charges for Services | <u>8,947</u> | <u>6,223</u> |
| Total Program Revenues | <u>6,811,666</u> | <u>6,277,509</u> |
| General Revenue | | |
| Gain (Loss) on Equipment Disposals | - | (149) |
| Property Rentals | 7,105 | 7,105 |
| Contributions | 1,200 | 923,224 |
| Other | 19,492 | 42,405 |
| Transfer-In Primary Government | <u>16,000</u> | <u>16,000</u> |
| Total General Revenues | <u>43,797</u> | <u>988,585</u> |
| Total Revenue | <u>6,855,463</u> | <u>7,266,094</u> |
| Program Expenses | | |
| Primary Road Maintenance | 2,112,322 | 1,421,448 |
| Local Road Maintenance | 3,457,290 | 3,146,551 |
| Net Equipment Expense | (280,844) | 157,231 |
| Net Administrative Expense | 488,515 | 467,705 |
| Compensated Absences | (8,073) | (448) |
| Infrastructure Depreciation | 959,960 | 1,088,601 |
| Interest Expense | <u>-</u> | <u>-</u> |
| Total Program Expenses | <u>6,729,170</u> | <u>6,281,088</u> |
| Change in Net Assets | <u>\$ 126,293</u> | <u>\$ 985,006</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Analysis of the Road Commission as a Whole (Continued)

Restricted net assets, which are those, restricted mainly for Act 51 purposes, increased \$36,618 and \$560,957 for the years ended December 31, 2007 and 2006, respectively. The current year asset change was due to the cash balance decreasing \$106,675, while the receivables increased \$106,895. Due from other units of government decreased by \$7,000 and inventories increased by \$36,944. Current liabilities increased \$53,343 during the year and the non-current liability account vested employee benefits decreased \$8,073, while the non-current liability account lease payable decreased by \$51,724, along with other minor changes. The Road Commission can attribute most of the increase to the reduced work schedule in the summer months.

The Road Commission's Fund

The Road Commission's general operations fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county, which are earmarked by law for road and highway purposes

For the year ended December 31, 2007, the fund balance of the general operations fund decreased \$120,805 as compared to an increase of \$710,974 for the year ended December 31, 2006.

Total revenues were \$6,757,837 and \$7,457,149 for the years ended December 31, 2007 and 2006, respectively. This difference was primarily due to a decrease of \$922,024 in private contributions. This was due to no private plats being accepted by the Road Commission in 2007. There was an increase of \$234,222 in the federal funds, along with other minor changes.

Total expenditures were \$6,878,642 and \$6,746,175 for the years ended December 31, 2007 and 2006, respectively. This increase in expenditures is primarily due to a federal aid job starting in 2007.

Budgetary Highlights

Prior to the beginning of any year, the Road Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Road Commission Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorizes large expenditures when requested throughout the year.

The final amended revenue budgets were higher than the actual receipts by \$93,500 and \$34,968 for the years ended December 31, 2007 and 2006, respectively. In 2007, federal aid was lower than budget by \$62,458 and contributions from local units by \$91,699. There were other minor variances that also contributed to this.

The final amended expenditure budget was higher than actual expenses by \$251,836 for year ended December 31, 2007 and was lower than actual expenses by \$271,514 for the year ended December 31, 2006. The variance was not due to any one expense, but many minor variances.

Capital Asset and Debt Administration

This year's major capital asset additions included the following:

| | <u>2007</u> | <u>2006</u> |
|--|------------------|------------------|
| Intersection Improvements/Construction | \$ 452,650 | \$ 756,888 |
| Resurfacing Projects | 733,244 | 947,114 |
| Bridge Projects | 22,228 | 18,975 |
| Transportation and Other Equipment | <u>243,969</u> | <u>267,925</u> |
| Total Additions | <u>1,452,091</u> | <u>1,990,902</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital Asset and Debt Administration (Continued)

Capital Assets

As of December 31, 2007 and 2006, the Road Commissions investment in capital assets is as follows:

| | <u>2007</u> | <u>2006</u> |
|--------------------------------------|----------------------|----------------------|
| Capital Assets Not Being Depreciated | | |
| Land | \$ 85,433 | \$ 85,433 |
| Land Improvements | 14,110,934 | 13,658,284 |
| Right-of-Ways | <u>65,204</u> | <u>65,204</u> |
| Subtotal | <u>14,261,571</u> | <u>13,808,921</u> |
| Capital Assets Being Depreciated | | |
| Land Improvements | 214,808 | 214,808 |
| Buildings | 740,948 | 740,948 |
| Road Equipment | 7,121,437 | 7,008,477 |
| Shop Equipment | 115,520 | 117,825 |
| Office Equipment | 84,559 | 93,389 |
| Engineering Equipment | 117,338 | 127,911 |
| Yard and Storage Equipment | 103,147 | 103,147 |
| Pit Depletion | 564,051 | 557,997 |
| Infrastructure | <u>14,785,191</u> | <u>15,344,020</u> |
| Subtotal | <u>23,846,999</u> | <u>24,308,522</u> |
| Total Capital Assets | 38,108,570 | 38,117,443 |
| Total Accumulated Depreciation | <u>13,930,922</u> | <u>14,029,470</u> |
| Total Net Capital Assets | <u>\$ 24,177,648</u> | <u>\$ 24,087,973</u> |

Debt

The Road Commission currently has no lease purchase agreements. The only long-term debt the Road Commission has is compensated absences in the amount of \$251,296.

Economic Factors and Next Year's Budget

The Board of County Road Commissioners considered many factors when setting the fiscal year 2008 budget. The Road Commission's primary source of revenue is derived from the State gas and weight taxes. The higher price of fuel was considered and the road commission expects MTF revenue to be reduced by four percent. Township contributions are expected to remain consistent with the current year.

The Board emphasizes the reader should understand that there are not sufficient funds available to repair and/or rebuild every road in Barry County's transportation system; therefore, the board attempts to spend the public's money wisely, equitably and in the best interest of the motoring public and the citizens of Barry County.

Contacting the Road Commission's Financial Management

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the Road Commission's finances and to show the Road Commission's accountability for the money it receives. If you have any questions about his report or need additional financial information, contact the Barry County Road Commission administrative offices at 1725 West M-43 Highway, Hastings, MI 49058. (269) 945-3449

BARRY COUNTY ROAD COMMISSION
STATEMENT OF NET ASSETS
December 31, 2007

ASSETS

| | |
|--|--------------------------|
| Cash and Cash Equivalents | \$ 2,037,782 |
| Accounts Receivable | |
| Michigan Transportation Fund | 728,549 |
| Other | 318,664 |
| Due From Other Units of Government | 49,000 |
| Inventories | |
| Road Materials | 772,385 |
| Equipment Materials and Parts | 157,219 |
| Capital Assets (Net of Accumulated Depreciation) | <u>24,177,648</u> |
| Total Assets | <u>\$ 28,241,247</u> |

LIABILITIES

| | |
|---------------------------|--------------------|
| Current Liabilities | |
| Accounts Payable | 42,030 |
| Accrued Liabilities | 76,179 |
| Escrow Payable | 8,300 |
| Non-Current Liabilities | |
| Due Within One Year | - |
| Due In More Than One Year | <u>251,296</u> |
| Total Liabilities | <u>377,805</u> |

NET ASSETS

| | |
|------------------------------------|--------------------------|
| Investment in Capital Fixed Assets | |
| Net of Related Debt | 24,177,648 |
| Restricted for County Roads | <u>3,685,794</u> |
| Total Net Assets | <u>\$ 27,863,442</u> |

The Notes to Financial Statements are an integral part of this statement.

BARRY COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007

| | |
|---|----------------------|
| Program Expenses | |
| Primary Road Maintenance | \$ 2,112,322 |
| Local Road Maintenance | 3,457,290 |
| Net Equipment Expense | (280,844) |
| Net Administrative Expense | 488,515 |
| Compensated Absences | (8,073) |
| Infrastructure Depreciation | <u>959,960</u> |
| Total Program Expense | <u>6,729,170</u> |
| Program Revenues | |
| License and Permits | 22,555 |
| Federal Grants | 249,831 |
| State Grants | 4,752,096 |
| Contributions From Local Units | 1,668,587 |
| Investments Earnings | 109,650 |
| Charges for Services | <u>8,947</u> |
| Total Program Revenues | <u>6,811,666</u> |
| Net Program Revenue | <u>82,496</u> |
| General Revenue | |
| Property Rentals | 7,105 |
| Contributions | 1,200 |
| Other | 19,492 |
| Transfer-In Primary Government | <u>16,000</u> |
| Total General Revenues and Transfers-In | <u>43,797</u> |
| Change in Net Assets | 126,293 |
| Net Assets | |
| Beginning of Year | <u>27,737,149</u> |
| End of Year | <u>\$ 27,863,442</u> |

The Notes to Financial Statements are an integral part of this statement.

**BARRY COUNTY ROAD COMMISSION
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2007**

| | <u>Governmental Fund Type</u> |
|---|--|
| <u>ASSETS</u> | <u>General Operating Fund</u> |
| Cash and Cash Equivalents | \$ 2,037,782 |
| Accounts Receivable | |
| Michigan Transportation Fund | 728,549 |
| Other | 318,664 |
| Due From Other Units of Government | 49,000 |
| Inventories | |
| Road Materials | 772,385 |
| Equipment Materials and Parts | <u>157,219</u> |
| Total Assets | <u>\$ 4,063,599</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | |
| Liabilities | |
| Accounts Payable | \$ 42,030 |
| Accrued Liabilities | 76,179 |
| Escrow Payable | 8,300 |
| Deferred Revenue | <u>362,626</u> |
| Total Liabilities | <u>489,135</u> |
| Fund Balances | |
| Unreserved-Undesignated | <u>3,574,464</u> |
| Total Fund Balances | 3,574,464 |
| Reconciliation of the Balance Sheet-Governmental Funds Fund Balance to the Statement of Net Assets: | |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Deferred revenues reported in governmental funds are recognized as revenues in the governmental activities | 362,626 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 24,177,648 |
| Certain liabilities, such as compensated absences and installment purchases, are not due and payable in current period and therefore are not reported in the funds. | <u>(251,296)</u> |
| Net Assets of Governmental Activities | <u>\$ 27,863,442</u> |

The Notes to Financial Statements are an integral part of this statement.

**BARRY COUNTY ROAD COMMISSION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2007**

| | General Operating Fund |
|--|---------------------------------------|
| Revenues | |
| Licenses and Permits | \$ 22,555 |
| Federal Grants | 249,831 |
| State Grants | 4,752,096 |
| Contributions From Local Units | 1,570,961 |
| Charges for Services | 8,947 |
| Other Revenues | <u>137,447</u> |
| Total Revenues | <u>6,741,837</u> |
| Expenditures | |
| Public Works | 6,985,406 |
| Capital Outlay-Net | (158,488) |
| Debt Service | <u>51,724</u> |
| Total Expenditures | <u>6,878,642</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(136,805)</u> |
| Other Financing Sources | |
| Transfers-In Primary Government | <u>16,000</u> |
| Total Other Financing Sources | <u>16,000</u> |
| Excess of Revenues and Other Financing Sources Over Expenditures | (120,805) |
| Fund Balance-January 1, 2007 | <u>3,695,269</u> |
| Fund Balance-December 31, 2007 | <u>\$ 3,574,464</u> |

The Notes to Financial Statements are an integral part of this statement.

BARRY COUNTY ROAD COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007

| | |
|---|--------------|
| Net Change in Fund Balance-Total Governmental Funds | \$ (120,805) |
|---|--------------|

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of
Activities, the cost of those assets is depreciated over their estimated useful lives:

| | | |
|----------------------------------|--------------|--------|
| Expenditures for capital assets | \$ 1,452,091 | |
| Less: Current year depreciation | 1,362,385 | |
| Less: Loss on disposal of assets | <u>31</u> | 89,675 |

| | |
|---|--------|
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | 97,626 |
|---|--------|

| | |
|---|-------|
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. [Increase (decrease) in compensated absences.] | 8,073 |
|---|-------|

| | |
|---|---------------|
| Repayment of notes/leases payable is an expenditure in governmental funds, but reduces the long-term liabilities in the Statement of Net Assets. | <u>51,724</u> |
|---|---------------|

| | |
|--|-------------------|
| Change in Net Assets of Governmental Funds | <u>\$ 126,293</u> |
|--|-------------------|

The Notes to Financial Statements are an integral part of this statement.

**BARRY COUNTY ROAD COMMISSION
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
December 31, 2007**

| <u>ASSETS</u> | <u>Pension Trust</u> |
|--|---------------------------------|
| Investments | \$ 5,575,772 |
| Accounts Receivable | |
| Sundry | <u>95,239</u> |
| Total Assets | <u>\$ 5,671,011</u> |
| <u>LIABILITIES</u> | |
| Current Liabilities | |
| Due to Employees for Deferred Compensation | <u>\$ -</u> |
| Total Liabilities | <u>-</u> |
| <u>NET ASSETS</u> | |
| Held in Trust for Pension Benefits | <u>\$ 5,671,011</u> |

The Notes to Financial Statements are an integral part of this statement.

BARRY COUNTY ROAD COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
For the Year Ended December 31, 2007

| <u>ADDITIONS</u> | <u>Pension Trust</u> |
|--|---------------------------------|
| Investment Income From Investing Activities | |
| Net Appreciation (Depreciation) in Fair Value of Investments | \$ 15,317 |
| Gain on Sale of Investments | 123,890 |
| Interest and Dividends | 403,524 |
| Interest on Participant Loans | <u>4,164</u> |
| Total Investment Income | 546,895 |
| Investment Management Fees | <u>7,651</u> |
| Net Income From Investing Activities | <u>539,244</u> |
| Contributions | |
| Employer | 164,061 |
| Employee | <u>166,939</u> |
| Total Contributions | <u>331,000</u> |
| Total Additions | <u>870,244</u> |
| <u>DEDUCTIONS</u> | |
| Benefit Payments | <u>418,593</u> |
| Total Deductions | <u>418,593</u> |
| Net Additions (Deductions) to Net Assets Held in Trust | 451,651 |
| Net Assets Held in Trust for Benefits | |
| Beginning of Year | <u>5,219,360</u> |
| End of Year | <u><u>\$ 5,671,011</u></u> |

The Notes to Financial Statements are an integral part of this statement.

**BARRY COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2007**

REPORTING ENTITY

The Barry County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by a three member Board of County Road Commissioners appointed by the County Commissioners of Barry County, Michigan. The Road Commission may not issue debt without the County's approval and property tax levies are subject to the County Board of Commissioners' approval.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Barry County Road Commission, a discretely presented component unit of Barry County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners is responsible for the administration of the Road Commission Operating Fund.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Barry County Road Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Barry County Road Commission.

Government-Wide and Fund Financial Statements - The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all the activities of the Barry County Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the Road Commission's assets and liabilities with the difference being reported as either invested in capital assets, net of related debt, or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for the Operating Fund (governmental fund) and Fiduciary Funds. The Operating Fund and Fiduciary Funds are independent fiscal and accounting entities with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**BARRY COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2007**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Michigan transportation funds, grants, permits, township contributions and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the government receives cash.

Encumbrance Accounting - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Barry County Road Commission.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash, Cash Equivalents and Investments - Investments are recorded at cost except in the Deferred Compensation Agency Fund and Pension Trust Fund, which reports investments at fair market value. Demand deposits, certificates of deposits and short-term investments with a maturity date of three months or less when acquired are considered to be cash equivalents.

Inventories - Inventories are priced at cost determined on the average unit cost and specific identification methods. Inventory items are charged to road construction and maintenance, equipment repairs and operations as used.

Capital Assets - Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items), are reported in the operating fund in the government-wide financial statements. Barry County Road Commission defines capital assets on an individual basis. The dollar threshold depends on the category of the asset, but the asset must have an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB 34. The Road Commission has capitalized the major infrastructure assets according to GASB 34. The Barry County Road Commission has capitalized the current year's infrastructure, as required by GASB 34, and has reported the infrastructure in the Statement of Net Assets.

**BARRY COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2007**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation - Depreciation is computed on the sum-of-the-years'-digits method for road equipment and the straight-line method for all other assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

| | | |
|------------------------|----------|-------|
| Buildings | 30 to 50 | years |
| Road Equipment | 5 to 8 | years |
| Shop Equipment | 7 to 10 | years |
| Engineering Equipment | 4 to 10 | years |
| Office Equipment | 4 to 10 | years |
| Infrastructure-Roads | 8 to 30 | years |
| Infrastructure-Bridges | 12 to 50 | years |

Interest-Bearing Deposits - Interest-bearing deposits are recorded at cost. Interest earned is recorded as revenue when the investment matures, or when credited by the financial institutions to the interest-bearing account.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the operating fund Statement of Net Assets.

Compensated Absences (Vacation and Sick Leave) - It is the Road Commission's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide financial statements.

Advertising - Advertising costs are charged to expense as incurred, and amounted to \$1,015 for the year ended December 31, 2007.

Budgetary Procedures - Budgetary procedures are established pursuant to Act 621 PA 1978, as amended, (MCL 141.421) which requires the County Board of Road Commissioners to approve a budget for the County Road Fund. Pursuant to the Act, Barry County Road Commission prepares the current proposed budget in the fourth quarter of the previous year. A public hearing is held to receive public comments on the proposed budget. After the public hearing, the budget is adopted. This takes place prior to the beginning of the affected fiscal year. The budget is compared to actual results on a regular basis. Amendments are made to the budget as necessary. The final budget amendments were adopted on December 30, 2007. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

BALANCE SHEET CASH AND INTEREST BEARING ACCOUNTS

Deposits are carried at cost. Deposits of the Road Commission are at various banks in the name of the Barry County Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Road Commission's deposits are in accordance with statutory authority.

The risk disclosures categorizing the deposits between amounts insured or collateralized with securities held by the entity or by its agent in the entity's name and amounts uncollateralized or uninsured as required by the Governmental Accounting Standards Board (GASB) Statement No. 3, are not available. Various deposits are held in accounts in the name of the Barry County Treasurer.

**BARRY COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2007**

BALANCE SHEET CASH AND INTEREST BEARING ACCOUNTS (Continued)

The Road Commission's insured deposits are insured by virtue of the Road Fund meeting certain specified criteria under FDIC regulations.

The balance sheet caption "Cash and Cash Equivalents" includes imprest cash of \$500.

Investments - Investments accumulated under an eligible deferred compensation plan may be placed at the authorization of a governing body, with a financial institution authorized to do business in this State, a State or Federally licensed investment company or insurance company authorized to do business in this State, or trust established by public employers for the investment of deferred compensation or retirement plans. Such funds shall be invested as directed by the governing body.

The Road Commission's investments for the 401(K) Retirement Plan (Pension Trust Fund) are held by and purchased through Fidelity Investments at December 31, 2007. Michigan Compiled Laws, section 38.1121, authorizes the Road Commission to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types. The Road Commission's pension trust investments are in accordance with statutory authority. The nature of the investments (Common Stock Mutual Funds) does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

| | <u>Carrying Amount</u> | <u>Market Value</u> |
|--------------------------|----------------------------|-------------------------|
| <u>Pension Trust</u> | | |
| Mutual Funds Investments | \$ 5,575,772 | \$ 5,575,772 |
| Total Pension Trust | <u>5,575,772</u> | <u>5,575,772</u> |
| Total Investments | \$ <u>5,575,772</u> | \$ <u>5,575,772</u> |

EMPLOYEES RETIREMENT SYSTEM

The Road Commission has a 401-K and a Roth 401-K, both single employer defined contribution plans, available to all employees of the Road Commission. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on the investments of those contributions, and the forfeitures of other participant's account. All employees who are at least 21 years old and have completed six months of service are eligible to participate.

The plan allows each employee to determine his/her own contribution, up to 60% of his or her salary, according to current provisions of the Internal Revenue Code. The Road Commission contributes 10% of the employees' salary. These contributions are not dependent of the participation of the employees. The plan uses the accrual basis of accounting with investments stated at market.

Employees are allowed to borrow from their account and at December 31, 2007, the outstanding loan balances were \$95,239. Employee and employer contributions are paid to the plan on each payroll date (bi-weekly) and for the year ending December 31, 2007; the Road Commission's contribution to the plan was \$164,061. Employee contributions to the plan were \$166,939 for 2007. Total 2007 payroll of the Road Commission was \$1,962,111, and total covered payroll was \$1,838,774. The Road Commission's contributions represent 8.93% of covered payroll and the employees' contributions represent 9.08% of covered payroll.

**BARRY COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2007**

CAPITAL ASSETS

Capital asset activity of the Barry County Road Commission for the current year was as follows:

| | Balance 12/31/2006 | Additions | Deletions | Balance 12/31/2007 |
|---|-----------------------|------------------|------------------|-----------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 85,433 | \$ - | \$ - | \$ 85,433 |
| Land Improvements | 13,658,284 | 452,650 | - | 14,110,934 |
| Right-of-Ways | 65,204 | - | - | 65,204 |
| Subtotal | <u>13,808,921</u> | <u>452,650</u> | <u>-</u> | <u>14,261,571</u> |
| Capital Assets Being Depreciated | | | | |
| Land Improvements | 214,808 | - | - | 214,808 |
| Buildings | 740,948 | - | - | 740,948 |
| Road Equipment | 7,008,477 | 226,074 | 113,114 | 7,121,437 |
| Shop Equipment | 117,825 | - | 2,305 | 115,520 |
| Office Equipment | 93,389 | 11,841 | 20,671 | 84,559 |
| Engineering Equipment | 127,911 | - | 10,573 | 117,338 |
| Yard & Storage Equipment | 103,147 | - | - | 103,147 |
| Pit depletion | 557,997 | 6,054 | - | 564,051 |
| Infrastructure-Bridges | 2,642,648 | 22,228 | - | 2,664,876 |
| Infrastructure-Roads | 12,701,372 | 733,244 | 1,314,301 | 12,120,315 |
| Subtotal | <u>24,308,522</u> | <u>999,441</u> | <u>1,460,964</u> | <u>23,846,999</u> |
| Less Accumulated Depreciation | | | | |
| Land Improvements | 62,370 | 10,741 | - | 73,111 |
| Buildings | 502,139 | 13,849 | - | 515,988 |
| Road Equipment | 6,126,775 | 355,135 | 113,098 | 6,368,812 |
| Shop Equipment | 115,502 | 791 | 2,305 | 113,988 |
| Office Equipment | 78,854 | 7,731 | 20,656 | 65,929 |
| Engineering Equipment | 91,475 | 13,036 | 10,573 | 93,938 |
| Yard & Storage Equipment | 103,147 | - | - | 103,147 |
| Pit depletion | 140,172 | 1,143 | - | 141,315 |
| Infrastructure-Bridges | 845,460 | 62,372 | - | 907,832 |
| Infrastructure-Roads | 5,963,576 | 897,587 | 1,314,301 | 5,546,862 |
| Subtotal | <u>14,029,470</u> | <u>1,362,385</u> | <u>1,460,933</u> | <u>13,930,922</u> |
| Net Capital Assets Being Depreciated | <u>10,279,052</u> | <u>(362,944)</u> | <u>31</u> | <u>9,916,077</u> |
| Total Net Capital Assets | <u>\$ 24,087,973</u> | <u>\$ 89,706</u> | <u>\$ 31</u> | <u>\$ 24,177,648</u> |

**BARRY COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2007**

CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the Barry County Road Commission as follows:

| | |
|----------------------------|---------------------|
| Primary Road | \$ 240,866 |
| Local Road | 75,811 |
| County | 85,748 |
| Infrastructure | <u>959,960</u> |
| Total Depreciation Expense | <u>\$ 1,362,385</u> |

LONG-TERM DEBT

The following is a summary of the changes in the long-term debt:

| | <u>Balance 12/31/2006</u> | <u>Increase (Decrease)</u> | <u>Balance 12/31/2007</u> |
|---------------------------|-------------------------------|--------------------------------|-------------------------------|
| Lease Purchase Agreement | | | |
| D&D Contracting | \$ 39,000 | \$ (39,000) | \$ - |
| Michigan CAT | 12,724 | (12,724) | - |
| Accrued Vacation and Sick | <u>259,369</u> | <u>(8,073)</u> | <u>251,296</u> |
| | <u>\$ 311,093</u> | <u>\$ (59,797)</u> | <u>\$ 251,296</u> |

Lease Purchase Agreement with D&D Contracting for a Roller, Chip Spreader and Distributor

Date of Lease Agreement: July 26, 2006
Amount of Lease Agreement: \$39,000

| <u>Year Ended</u> | <u>Interest</u> | <u>Principal</u> | <u>Total</u> |
|-----------------------|-----------------|------------------|--------------|
| 12/31/2007 | \$ - | \$ - | \$ - |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Lease Purchase Agreement with Michigan CAT for a Rebuilt Engine

Date of Lease Agreement: December 1, 2006
Amount of Lease Agreement: \$14,315

| <u>Year Ended</u> | <u>Interest</u> | <u>Principal</u> | <u>Total</u> |
|-----------------------|-----------------|------------------|--------------|
| 12/31/2007 | \$ - | \$ - | \$ - |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**BARRY COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2007**

LONG-TERM DEBT (Continued)

The annual principal and interest payments due on all outstanding debt until maturity are as follows:

| | | |
|-------------------|----|-------|
| 1/1/08 - 12/31/08 | \$ | - |
| 1/1/09 - 12/31/09 | | - |
| 1/1/10 - 12/31/10 | | - |
| 1/1/11 - 12/31/11 | | - |
| 1/1/12 - 12/31/12 | | - |
| After five years | | - |
| | | <hr/> |
| Total | \$ | - |

Vested Employee Benefits -Vacation is earned in varying amounts depending on the number of years of service of an employee and is made available to the employee on his or her anniversary date.

Upon termination of employment, the employer will pay the amount of vacation leave earned at the time of termination up to a maximum of 68 days. Vacation hours may be accumulated by an employee up to 20 days. All vacation leave in excess of 20 days shall be forfeited. A retiring employee with 15 years of employment will be allowed to accumulate 68 days of vacation, twenty-four months prior to retirement. The liability recorded for vacation earned but not used as of December 31, 2007, totaled \$99,354.

Sick leave is accumulated at the rate of 8 hours per month. An employee shall be paid his or her accumulated sick leave at 100 percent for the first 140 days and 45 percent for the excess over 140 days when services are terminated as a result of retirement, total disability or death. The liability recorded for sick leave earned but not used as of December 31, 2007, totaled \$151,942.

POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

As of January 1, 2003, Barry County Road Commission changed their policy for providing hospitalization medical coverage for their employees following retirement. Per the policy in place as of December 31, 2002, Barry County Road Commission provided hospitalization medical coverage and life insurance on a complimentary basis for any employee who retired at age 55 with at least eight years of service. Barry County Road Commission continues to provide life insurance using the same parameters. Four current employees and one who retired during the year ended December 31, 2003, were grand fathered in under the previous policy.

As of January 1, 2005, Barry County Road Commission added a policy for providing \$10 per month for every year of service for their association employees retiring from January 1, 2003 to November 1, 2006. These employees must be at least 55 years of age and have at least 20 years of service. This would become effective upon retirement or January 1, 2005, which ever comes latest. Amount shall be paid until the employee is deceased. If a slot is open for health insurance through the Road Commission and the retiree chooses to be carried through the Road Commission, the current Health Insurance Cancellation Policy will apply. This is contingent upon the Employee's Association acceptance. All other current employees receive no health benefits upon retirement.

Benefits are provided based on requirements of employee contracts and are financed on a pay-as-you-go basis. For the year ended December 31, 2007, Barry County Road Commission expended \$143,912 for 23 participants currently eligible to receive benefits.

**BARRY COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2007**

RISK MANAGEMENT

Barry County Road Commission is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Barry County Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool established pursuant to the laws of the State of Michigan, which authorizes contracts between municipal corporations (inter-local agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverage, auto liability coverage, property insurance coverage, stop loss insurance protections, claims administration and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

Barry County Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the information of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission also has self-insurance for worker's compensation as a member of the County Road Association Self-Insurance Fund. The Road Commission's employee medical benefits insurance is purchased through Blue Cross and Blue Shield.

At December 31, 2007, there were no claims, which exceeded insurance coverage. The Road Commission did not have any significant reduction in insurance coverage from previous years.

CONTINGENT LIABILITIES

Barry County Road Commission is the defendant in various legal actions involving personal injury or property damage that are normally associated with road commissions. These cases are turned over to the self-insurance pool. The aggregate effect of these actions, in management's and legal counsel's opinion, would not be material to the financial condition of Barry County Road Commission. Anticipated losses are not estimated to be in excess of insurance coverage. No provision for loss has been made in the financial statements.

BARRY COUNTY ROAD COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES AND OTHER FINANCING SOURCES -
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2007

| | <u>ORIGINAL BUDGET</u> | <u>FINAL AMENDED BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE FAVORABLE (UNFAVORABLE)</u> |
|--|----------------------------|-------------------------------------|--------------------|---|
| Licenses and Permits | | | | |
| Utility and Driveway Permits | \$ 28,000 | \$ 21,000 | \$ 22,555 | \$ 1,555 |
| Federal Aid | | | | |
| High Priority | | | <u>\$ 249,831</u> | |
| | 150,000 | 312,289 | 249,831 | (62,458) |
| State Aid | | | | |
| Michigan Transportation Fund | | | | |
| Engineering | | | 10,000 | |
| Primary Road | | | 2,890,668 | |
| Primary Urban Road | | | 61,365 | |
| Local Road | | | 1,706,929 | |
| Local Urban Road | | | 20,676 | |
| Economic Development Fund | | | | |
| Jobs Today | | | <u>62,458</u> | |
| | 4,746,495 | 4,687,368 | 4,752,096 | 64,728 |
| Contributions From Local Units | | | | |
| Townships | | | 1,553,941 | |
| Other Units of Government | | | <u>17,020</u> | |
| | 1,194,783 | 1,662,660 | 1,570,961 | (91,699) |
| Charges for Services | | | | |
| Salvage Sales | 3,100 | 6,845 | 7,785 | 940 |
| Other | 1,700 | 1,300 | 1,162 | (138) |
| Other Revenue | | | | |
| Gain on Equipment Disposals | - | 14,050 | 13,972 | (78) |
| Interest | 28,000 | 109,500 | 109,650 | 150 |
| Property Rentals | 7,105 | 7,105 | 7,105 | - |
| Lease Proceeds | - | - | - | - |
| Contributions | - | 1,200 | 1,200 | - |
| Other | <u>6,680</u> | <u>12,020</u> | <u>5,520</u> | <u>(6,500)</u> |
| Total Operating Revenue | <u>6,165,863</u> | <u>6,835,337</u> | <u>6,741,837</u> | <u>(93,500)</u> |
| Other Financing Sources | | | | |
| Transfers-In | | | | |
| Primary Government | <u>16,000</u> | <u>16,000</u> | <u>16,000</u> | <u>-</u> |
| Total Other Financing Sources | <u>16,000</u> | <u>16,000</u> | <u>16,000</u> | <u>-</u> |
| Total Revenue and Other Financing Sources | 6,181,863 | 6,851,337 | <u>\$6,757,837</u> | <u>\$ (93,500)</u> |
| Fund Balance-January 1, 2007 | <u>3,695,269</u> | <u>3,695,269</u> | | |
| Total Budget | <u>\$ 9,877,132</u> | <u>\$ 10,546,606</u> | | |

BARRY COUNTY ROAD COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF EXPENDITURES -
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2007

| | ORIGINAL BUDGET | FINAL AMENDED BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
|---------------------------------|----------------------------|-------------------------------------|--------------------|---|
| Primary Road | | | | |
| Construction/Capacity Improverr | \$ - | \$ 35,000 | \$ 29,904 | \$ 5,096 |
| Heavy Maintenance | 806,530 | 150,000 | 118,857 | 31,143 |
| Winter Maintenance | 429,700 | 687,351 | 675,238 | 12,113 |
| Maintenance | 904,143 | 1,446,273 | 1,420,786 | 25,487 |
| Traffic Control | 10,372 | 16,591 | 16,299 | 292 |
| Local Road | | | | |
| Construction/Capacity Improverr | - | 400,000 | 353,778 | 46,222 |
| Heavy Maintenance | 698,993 | 710,993 | 705,583 | 5,410 |
| Winter Maintenance | 616,158 | 856,319 | 842,949 | 13,370 |
| Maintenance | 1,881,903 | 2,615,415 | 2,574,580 | 40,835 |
| Traffic Control | 29,064 | 40,391 | 39,761 | 630 |
| Distributive Expense | 1,275,000 | - | - | - |
| Equipment Expense-Net | | | | |
| Direct | 850,000 | 1,153,000 | \$1,088,574 | |
| Indirect | 430,000 | 435,000 | 417,874 | |
| Operating | 350,000 | 420,000 | 427,803 | |
| Less: Equipment Rentals | <u>(2,200,000)</u> | <u>(2,241,855)</u> | <u>(2,215,095)</u> | |
| | <u>(570,000)</u> | <u>(233,855)</u> | (280,844) | 46,989 |
| Administrative Expense-Net | 470,000 | 510,000 | 488,515 | 21,485 |
| Capital Outlay-Net | | | | |
| Capital Outlay | 100,000 | 250,000 | 243,969 | |
| Less: Equipment Retirements | - | - | (31) | |
| Less: Depreciation | (470,000) | (410,000) | (402,426) | |
| Less: Trade-In Allowance | <u>-</u> | <u>-</u> | <u>-</u> | |
| | <u>(370,000)</u> | <u>(160,000)</u> | (158,488) | (1,512) |
| Debt Service | | | | |
| Debt Principal Payments | 39,000 | 56,000 | 51,724 | 4,276 |
| Interest Expense | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures | 6,220,863 | 7,130,478 | <u>\$6,878,642</u> | <u>\$ 251,836</u> |
| Fund Balance-December 31, 2006 | <u>3,695,269</u> | <u>3,695,269</u> | | |
| Total Budget | <u>\$ 9,916,132</u> | <u>\$10,825,747</u> | | |

BARRY COUNTY ROAD COMMISSION
ANALYSIS OF CHANGES IN FUND BALANCE
For the Year Ended December 31, 2007

| | <u>PRIMARY ROAD FUND</u> | <u>LOCAL ROAD FUND</u> | <u>COUNTY ROAD COMMISSION</u> | <u>TOTAL</u> |
|---|----------------------------------|--------------------------------|---------------------------------------|---------------------|
| Total Revenues | \$ 3,590,953 | \$ 3,038,410 | \$ 112,474 | \$ 6,741,837 |
| Total Expenditures | <u>2,365,041</u> | <u>4,607,444</u> | <u>(93,843)</u> | <u>6,878,642</u> |
| Excess of Revenues Over (Under) Expenditures | <u>1,225,912</u> | <u>(1,569,034)</u> | <u>206,317</u> | <u>(136,805)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers-In Primary Government | - | - | 16,000 | 16,000 |
| Optional Transfers-In (Out) | (877,500) | 877,500 | - | - |
| Interfund Transfers | <u>-</u> | <u>691,534</u> | <u>(691,534)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>(877,500)</u> | <u>1,569,034</u> | <u>(675,534)</u> | <u>16,000</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 348,412 | - | (469,217) | (120,805) |
| Fund Balance-January 1, 2007 | <u>2,121,134</u> | <u>-</u> | <u>1,574,135</u> | <u>3,695,269</u> |
| Fund Balance-December 31, 2007 | <u>\$ 2,469,546</u> | <u>\$ -</u> | <u>\$ 1,104,918</u> | <u>\$ 3,574,464</u> |

BARRY COUNTY ROAD COMMISSION
ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES
For the Year Ended December 31, 2007

| | <u>PRIMARY ROAD FUND</u> | <u>LOCAL ROAD FUND</u> | <u>COUNTY ROAD COMMISSION</u> | <u>TOTAL</u> |
|--|----------------------------------|--------------------------------|---------------------------------------|---------------------|
| Licenses and Permits | | | | |
| Utility and Driveway Permits | \$ - | \$ - | \$ 22,555 | \$ 22,555 |
| Federal Aid | | | | |
| High Priority | - | 249,831 | - | 249,831 |
| State Aid | | | | |
| Michigan Transportation Fund | | | | |
| Engineering | 6,300 | 3,700 | - | 10,000 |
| Primary Road | 2,890,668 | - | - | 2,890,668 |
| Primary Urban Road | 61,365 | - | - | 61,365 |
| Local Road | - | 1,706,929 | - | 1,706,929 |
| Local Urban Road | - | 20,676 | - | 20,676 |
| Economic Development Fund | | | | |
| Jobs Today | - | 62,458 | - | 62,458 |
| Contributions From Local Units | | | | |
| Townships | 561,757 | 992,184 | - | 1,553,941 |
| Other Units of Government | - | | 17,020 | 17,020 |
| Charges for Services | | | | |
| Salvage Sales | - | - | 7,785 | 7,785 |
| Other | - | - | 1,162 | 1,162 |
| Other Revenue | | | | |
| Gain on Equipment Disposals | 8,363 | 2,632 | 2,977 | 13,972 |
| Interest | 62,500 | - | 47,150 | 109,650 |
| Property Rentals | - | - | 7,105 | 7,105 |
| Lease Proceeds | - | - | - | - |
| Contributions | - | - | 1,200 | 1,200 |
| Other | - | - | 5,520 | 5,520 |
| Total Operating Revenue | <u>3,590,953</u> | <u>3,038,410</u> | <u>112,474</u> | <u>6,741,837</u> |
| Other Financing Sources | | | | |
| Transfers-In | | | | |
| Primary Government | - | - | 16,000 | 16,000 |
| Total Other Financing Sources | <u>-</u> | <u>-</u> | <u>16,000</u> | <u>16,000</u> |
| Total Revenue and Other Financing Sources | <u>\$ 3,590,953</u> | <u>\$ 3,038,410</u> | <u>\$ 128,474</u> | <u>\$ 6,757,837</u> |

**BARRY COUNTY ROAD COMMISSION
ANALYSIS OF EXPENDITURES
For the Year Ended December 31, 2007**

| | <u>PRIMARY ROAD FUND</u> | <u>LOCAL ROAD FUND</u> | <u>COUNTY ROAD COMMISSION</u> | <u>TOTAL</u> |
|-----------------------------------|----------------------------------|--------------------------------|---------------------------------------|---------------------|
| Primary Road | | | | |
| Construction/Capacity Improvement | \$ 29,904 | \$ - | \$ - | \$ 29,904 |
| Heavy Maintenance | 118,857 | - | - | 118,857 |
| Winter Maintenance | 675,238 | - | - | 675,238 |
| Maintenance | 1,420,786 | - | - | 1,420,786 |
| Traffic Control | 16,299 | - | - | 16,299 |
| Local Road | | | | |
| Construction/Capacity Improvement | - | 353,778 | - | 353,778 |
| Heavy Maintenance | - | 705,583 | - | 705,583 |
| Winter Maintenance | - | 842,949 | - | 842,949 |
| Maintenance | - | 2,574,580 | - | 2,574,580 |
| Traffic Control | - | 39,761 | - | 39,761 |
| Equipment Expense-Net | (87,960) | (184,796) | (8,088) | (280,844) |
| Administrative Expense-Net | 162,971 | 325,544 | - | 488,515 |
| Capital Outlay-Net | 3,084 | (75,817) | (85,755) | (158,488) |
| Debt Service | | | | |
| Debt Principal Payments | 25,862 | 25,862 | - | 51,724 |
| Interest Expense | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures | <u>\$ 2,365,041</u> | <u>\$ 4,607,444</u> | <u>\$ (93,843)</u> | <u>\$ 6,878,642</u> |



WALKER, FLUKE & SHELDON, PLC
CERTIFIED PUBLIC ACCOUNTANTS

525 W. Apple Street
Hastings, MI 49058
Phone (269) 945-9452
Fax (269) 945-4890

Christopher J. Fluke, C.P.A.
Katherine K. Sheldon, C.P.A.

1971 S. State Road
Ionia, MI 48846
Phone (616) 522-0792
Fax (616) 522-0873

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of County Road Commissioners
Barry County Road Commission
Hastings, Michigan

We have audited the financial statements of Barry County Road Commission, a component unit of Barry County, as of and for the year ended December 31, 2007, and have issued our report thereon dated February 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Barry County Road Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Barry County Road Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Barry County Road Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Barry County Road Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Barry County Road Commission's financial statements that is more than inconsequential will not be prevented or detected by the Barry County Road Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Barry County Road Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Barry County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hastings, MI
February 14, 2008

Walker, Fluke & Sheldon, PLC